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SIPDIS

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XOXO
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JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Major media reported that former PM Ehud Barak regained the chairmanship of the Labor Party following his victory in the party's run-off primary. Barak obtained 51.3 percent of the votes and Knesset Member Ami Ayalon 47.7 percent. In his victory speech,

Barak pledged to strengthen the IDF and restore Israel's deterrence.

Media reported that PM Ehud Olmert wants Barak to join his government as soon as possible. Yediot wrote that Olmert will offer Barak the defense portfolio.

All media prominently reported on the ongoing clashes between Hamas and Fatah militants in the Gaza Strip, in which at least 31 people were killed and 75 wounded on Tuesday and this morning. Leading media reported that Hamas controls most of the Strip -- or most of its northern part. Leading media reported that Fatah suspended participation in the Palestinian national unity government. The Jerusalem Post bannered: "Gaza on Verge of Becoming Hamastan." Yediot quoted the heads of Egyptian and Jordanian intelligence as saying that Al-Qaida terrorists are becoming involved in the bloody fighting in Gaza. Israel Radio reported that senior Egyptian officials blame Iran for the violence. Israel Radio reported that the US-based organization Human Rights Watch accused Hamas and Fatah of war crimes against the Palestinians.

Media quoted PM Olmert as saying: "If the Gaza Strip falls completely into the hands of Hamas, this will have regional implications." Israel Radio quoted him as saying that Israel will not enter the Gaza Strip to fight the pragmatic forces' fight against the extremists. Israel Radio reported that Defense Minister Amir Peretz and IDF Chief of Staff Gabi Ashkenazi decided on Tuesday not to intervene in the Gaza Strip. The radio reported that Peretz warned that Israel would respond seriously if violence spills into Israel. Leading media quoted Olmert as saying, after a meeting with visiting Dutch FM Maxime Verhagen, that the deployment of a multinational force along the "Philadelphia Route" in Rafah should be seriously considered. Media reported that Olmert expressed his concerns about the PA's possible collapse.

Leading media quoted Syria's Deputy FM Ahmad Arnous as saying on Tuesday that Syria is ready to negotiate peace with Israel but that it refuses conditions on the talks. Israel Radio quoted a source in Israel's Foreign Ministry as saying that Arnous failed to mention Israel's offer of direct negotiations, even without US mediation. In another development, Yediot reported that Syria recently denied UN observers access to the demilitarized zone on the Golan Heights to check whether Syria respects the 1974 Separation of Forces Agreement. Yediot noted that Syria eventually acceded to the UN demand.

The media reported that the Knesset will elect Israel's next president in three rounds today. Maariv defined Vice PM Shimon Peres' bid as his "last attempt" to win a top national post. The media noted that the race between Peres and former Knesset speaker Reuven Rivlin (Likud) is tight.

The Jerusalem Post reported that on Monday Riyad Mansour, the Palestinian Observer Mission's ambassador to the UN, called for a cease-fire with Israel in both the Gaza Strip and the West Bank, saying the quiet would strengthen moderates seeking a political agreement. Mansour also backed a cease-fire between warring Palestinian factions. The Jerusalem Post reported that, despite the talk of cease-fires, Jeremy Issacharoff, Deputy Chief of Mission at the Israeli Embassy in Washington, warned that there could be an increase in the fighting.

Leading media reported that on Tuesday the Winograd Commission probing the Second Lebanon War released the testimony of Transportation Minister -- and former defense minister and former chief of staff -- Shaul Mofaz before the commission. Mofaz was quoted as telling the commission that each time he tried to intervene during the course of the war, his view that the IDF should heavily strike Hezbollah was rejected.

Yediot, The Jerusalem Post, and Israel Radio reported that the State Department released its 2007 Trafficking in Persons Report, which states: "The Government of Israel does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so." Yediot and Israel Radio cited the satisfaction of Justice Minister Daniel Friedmann and his ministry over the report.

Makor Rishon-Hatzofe reported that, as part of a debate at the

Knesset's Constitution, Law and Justice Committee, the Israeli defense establishment and the Justice Ministry are preparing a campaign to fight what they say is the World Bank's hostile and erroneous report on the territories.

The Jerusalem Post reported that the Civil Administration in the territories has threatened to seal off four rooms that about two Jewish-owned apartments at the edge of Hebron's Avraham Avinu neighborhood. The newspaper quoted a Civil Administration spokesman as saying on Monday that Jewish families had illegally expanded into the premises.

Israel Radio reported that over 250 British academics have placed a paid ad in the British daily The Times to protest the boycott of Israeli universities, saying that the union of lecturers that recommended it is small, unrepresentative, and harms academic freedom and Britain overall.

Ha'aretz reported that the Jerusalem Municipality will invest 6 million shekels (around USD 1.433 million) in various improvements around the walls of the Old City.

The Jerusalem Post reported that the city of Tel Aviv has been ranked as one of the world's top 50 centers of commerce by the new MasterCard Center of Commerce research index of leading cities that influence the global economy and drive global commerce. The Jerusalem Post also wrote that Israeli real estate attracted a record USD 209 million in foreign investment in May as French and US Jews purchased second homes in the country.

Yediot reported that, ahead of the 2008 Olympic Games, the Beijing Municipality has granted honorary citizenship of the Chinese capital to 15 people from around the world, including former Israeli ambassador to China Ora Namir.

Mideast:

Summary:

Washington correspondent Shmuel Rosner wrote in the independent, left-leaning Ha'aretz: "The Secretary of State and her assistants will now make do with outlining a path of "American realism," which is now being translated into spoken Arabic in the smoking alleys of the Gaza Strip."

Military correspondent Alex Fishman wrote in the mass-circulation, pluralist Yediot Aharonot: "In the end we won't have any choice. We will have to go [into the Gaza Strip] to disassemble the ticking bomb that is being built in front of our very eyes."

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote in Ha'aretz: "The outcome [of the intra-Palestinian fighting] in the offing will have far-reaching implications not only for the future of the Palestinian Authority, but also for its relations with Israel, and perhaps for the entire region. The old Palestinian dream of a real state is fading fast."

Former Mossad director Ephraim Halevy wrote in the editorial of Yediot Aharonot: "The turn of daily events in the Palestinian territories does not leave us with more than just a few weeks to grab the bull by the horns."

Zalman Shoval, a senior Likud member and former ambassador to the US, wrote in Yediot Aharonot: "Bush and Olmert [might decide] to skip over the first two stages of [the Roadmap] and go straight to a permanent status arrangement based on the Saudi initiative -- perhaps with light cosmetic changes."

Assad Ghanem, a lecturer at the University of Haifa, wrote in Ha'aretz: "[A] stable binational state ... is the only option that can still represent an alternative to the current harsh reality."

Block Quotes:

II. "American Realism in the Alleys of Gaza"

Washington correspondent Shmuel Rosner wrote in the independent, left-leaning Ha'aretz (6/13): "[Secretary] Rice, who, [like President Bush], is in favor [of a two-state solution], is preparing the ground for a predictable disappointment. It is true, she will be able to claim when the time comes, that no state was established; but Bush succeeded in bringing about a critical change in public opinion. And meanwhile ... the Secretary of State and her assistants will now make do with outlining a path of "American realism," which is now being translated into spoken Arabic in the smoking alleys of the Gaza Strip. That is the political philosophy with which she will explain the efforts to strengthen the status of Fatah, which lost the elections, at the expense of Hamas, which won them legitimately. That is also the theory that will justify the renewed reliance on oppressive regimes such as Egypt, deceitful ones such as Saudi Arabia, and autocratic ones such as Jordan -- pursuing what is desirable, and making do with what exists."

II. "Concern that Israel Might Be Forced to Enter Gaza"

Military correspondent Alex Fishman wrote in the mass-circulation, pluralist Yediot Aharonot (6/13): "Israel is a sovereign state that has become embroiled -- or embroiled itself -- in an impossible situation in which it lives beside a large neighborhood of Baghdad. There, on the far side of the fence, there is a slew of factions.... If up until a few weeks ago, in the sixth round of violence since Hamas rose to power, we still wanted to believe that this was an internal, political battle, today, in the seventh round, no one harbors doubts any more: This is a brutal civil war with short breaks for each side to lick its wounds and regain its strength. All the mediation efforts are for appearance's sake only. The military wings on both sides have already made their strategic decision. Hamas has decided to eradicate Fatah by force and to dissolve its security services. Fatah has decided to topple Hamas from power. These rounds of violence could very well continue for a long time to come.... The attacks on Israel will, ultimately, come. In order to close Palestinian ranks there will be a Qassam rocket attack, and the small terror organizations will make concerted efforts to execute terror attacks and kidnap soldiers. The clashes in Gaza might also set the West Bank on fire. There are already signs of that. And we haven't even begun to talk about the humanitarian crisis on our doorstep. The systems in Gaza have already begun to collapse. Schools aren't open, stores are open only partially, the foreign welfare agencies have left, and some of the hospitals have become battlegrounds. The world will point the accusatory finger at Israel. In the end, we won't have any choice. We will have to go in there to disassemble the ticking bomb that is being built in front of our very eyes."

III. "Hamastan, Fatahstan"

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote in Ha'aretz (6/13): "Yasser Arafat must be turning in his grave. Barely two and a half years have gone by since his death and already his movement, Fatah, is steadily losing its last strongholds in the Gaza Strip.... The outcome in the offing will have far-reaching implications not only for the future of the Palestinian Authority, but also for its relations with Israel, and perhaps for the entire region. The old Palestinian dream of a real state is fading fast. The speech that President George Bush is scheduled to deliver on June 24 (the fifth anniversary of his speech laying out a two-state vision for the Middle East) will have to undergo substantial revision. Hamas's takeover of Gaza, which seemed closer than ever on Tuesday, is destined to split the territories into two entities that are politically and even culturally separate: Hamastan (the Gaza Strip) and Fatahstan (the West Bank). Anyone on the Israeli side still contemplating the question of a Palestinian partner might also need to do some rethinking. In Gaza, at least, it seems there is nobody left for Israel to talk to."

IV. "Is Arab Unity to Our Benefit?"

Former Mossad director Ephraim Halevy wrote in the editorial of Yediot Aharonot (6/13): "[The] Arab world considers the turn of Palestinian events as a grave threat to the stability of life

throughout the Muslim world, and that is why Saudi Arabia has intervened in the inner workings of the Palestinian government and has tried to manage the infighting between Fatah and Hamas. That is why the Arab world has organized to engage in negotiations with Israel, in the course of which it might expropriate the management of those negotiations from the Palestinians and seize it for itself.

It is a complex challenge for Israel to prepare for dialogue of that sort. The Arab world's demands are difficult and, in some cases, patently unacceptable. But we do need to notice that while in the past we believed, and justly so, that the Arabs, when unified, would toe the most radical line, now we have an opportunity to examine whether circumstances have not changed and it is the moderate majority that will force the extremists to toe its line. The Mecca agreement, which Hamas was forced to accept, and the Riyadh summit in which the Arab peace initiative was ratified with the attendance of the Fatah-Hamas national unity government, create the tools for the Israeli government to engage in some daring and creative diplomacy. This opportunity will not be here forever. The turn of daily events in the Palestinian territories does not leave us with more than just a few weeks to grab the bull by the horns."

IV. "The Gospel According to Washington"

Zalman Shoval, a senior Likud member and former ambassador to the US, wrote in Yediot Aharonot (6/13): "Washington, naturally, is well aware of Olmert's weaknesses, but precisely this situation appears to it to be particularly suitable to achieve results.... The intention of the Arab rulers who convened a few months ago in Riyadh [was] to offer Israel the poisoned candy of relations (not necessarily peace), on condition that it bow to the dictate of a prior withdrawal from all the territories, including Jerusalem, and that it agree, in one way or another, to the demand to let refugees return -- not in the framework of negotiations, but as an ultimatum.

It could be that Olmert will tell President Bush that he is now willing to accept the Arab ultimatum at least partially: not yet in the matter of the refugees, but on the territorial issues and in the matter of Jerusalem. Therefore, it will not be surprising if the following 'gospel' emerges this coming week from Washington: since there has been no progress according to the original outline of the Roadmap, Bush and Olmert decided to skip over the first two stages in it and go straight to a permanent status arrangement based on the Saudi initiative -- perhaps with light cosmetic changes. Indeed, everything is politics."

VI. "One State Is Enough"

Assad Ghanem, a lecturer at the University of Haifa, wrote in Ha'aretz (6/12): "The present situation does not allow a logical separation between two states, but it also appears that there is neither the political will nor the ability to implement that separation.... Israel and the Palestinians must change directions. The option of a stable binational state, on the basis of self-determination for both nations in one common state, agreeing on the partition of power and political positions in an egalitarian way, is the only option that can still represent an alternative to the current harsh reality."

JONES